

**LOOKING UPWARDS, INC.
&
LOOKING UPWARDS APARTMENTS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1997**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Looking Upwards, Inc.
REPORT ON CONTRACT COMPLIANCE
Calendar Year 1997 through 1990

EXECUTIVE SUMMARY

The prior audit reports for Looking Upwards, Inc., issued in April 1994 by the Bureau of Audits cited six recommendations for the Department of Human Services (DHS) and one recommendation for the Department of Mental Health, Retardation and Hospitals (MHRH). DHS has implemented three recommendations, partially implemented one, and two no longer apply. The one recommendation for MHRH has been implemented.

Based on our contract compliance engagement for the calendar years 1990 through 1997, we determined the following:

1. The amount of \$72,495.65 should be recovered from the Provider by DHS in accordance with its current funding policy.
2. The amount of \$262,185.00 should be recovered from the Provider by MHRH as excess funding or reprogrammed by the Provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.
3. That the Department of MHRH make payment based on actual attendance as required by its contracts or recover over payments based on estimated reimbursement schedules.
4. That the Department of MHRH include in their contract with the Provider a provision to recover over payments of State funds based on estimated reimbursement schedules.

LOOKING UPWARDS, INC.
LOOKING UPWARDS APARTMENTS, INC.
CALENDAR YEAR 1997

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June 8, 2000

Ms. Christine Ferguson, Director
Department of Human Services
Aime J. Forand Building
600 New London Avenue
Cranston, RI 02920

Dear Ms. Ferguson:

We have examined the cost report submitted by Looking Upwards, Inc., for the following DHS funded Intermediate Care Facilities for the Mentally Retarded (ICF/MR) for the calendar year 1997.

<u>Facility</u>	<u>License Number</u>
Beacon Street Group Home	069
Kay Street Group Home	094
Linda Terrace Group Home	175
Mulberry Road Group Home	201
Toppa Boulevard Group Home	210
Dexter Street Group Home	211

This report represents the audited Cost Report the year ended December 31, 1997. For settlement purposes this report includes calendar years 1990 through 1996.

The findings and recommendations included herein have been discussed with management and we have considered their comments in preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; the Honorable Antonio J. Pires, Chairman of the House Finance Committee; and the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

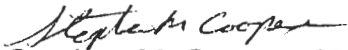
Ms. Christine Ferguson, Director

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June 8, 2000

We wish to express our appreciation to the officials of the Department of Human Services (DHS) and to the director and staff members of the Looking Upwards, Inc., for the assistance, cooperation and courtesies extended to us during the course of this engagement.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb



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June 8, 2000

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Aime J. Forand Building
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have examined the cost reports submitted by Looking Upwards, Inc., and Looking Upwards Apartments, Inc., for the following MHRH funded programs for the calendar year 1997.

Looking Upwards, Inc.

Adult Day Programs
Residential Waiver Program

Looking Upwards Apartments, Inc.

Semi-Independent Apartments
Conversion Waiver Programs

The report contained herein represents the consolidation and field audit revision report approved by your department to provide for greater and more timely audit coverage to your providers. This audit is based on the most recent year audited. For settlement purposes this report includes calendar years 1990 through 1996.

The findings and recommendations included herein have been discussed with management and we have considered their comments in preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of Mental Health, Retardation and Hospitals (MHRH) and to the director and staff members of the Looking Upwards, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

LOOKING UPWARDS, INC.

CALENDAR YEAR 1997

SCOPE AND PURPOSE

The purpose of this engagement was to audit the most current year cost report (1997) submitted by the provider of services funded by the Department of Human Services and the Department of Mental Health, Retardation and Hospitals and make settlements for that year and also make settlements for all prior unaudited years. The review of prior unaudited years (1990-1996) was limited to reviewing selected accounts and making adjustments based on risk factors developed through the examination of the current year accounts, the prior field audit, prior year cost reports and sampling.

By funding source the purpose of this examination was to determine:

DHS Programs

- whether expenses were allowable in accordance with the principles of reimbursement.
- through the verification of census records the total client days used in calculating audited per diem rates.
- if the clients' clothing funds and personal needs funds were properly maintained in accordance with the prescribed guidelines.
- any over or under funding on behalf of the Department of Human Services.

MHRH Programs

- whether expenses reported per the cost reports were in accordance with the terms of the contracts.
- whether revenues were reported accurately on the cost reports.
- Any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our engagement of DHS programs was made in accordance with the "Federal Medicare Principles of Reimbursement" issued by the Social Security Administration, Bureau of Health Insurance HIM-15 adopted by the State of Rhode Island with the exclusion of return of net equity and the approved providers' operating budgets.

Additionally, we have examined the Clients' Clothing Account Funds in accordance with the "Principles for Skilled Nursing and Intermediate Care Facilities," and the Clients' Personal Needs Funds in accordance with the "Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities."

Our engagement of the financial records included verification of revenues and expenses through testing procedures which were deemed necessary in the circumstances.

LOOKING UPWARDS, INC.
CALENDAR YEAR 1997

BACKGROUND

Title 40.1-21-4 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to be responsible for "planning and developing a complete, comprehensive and integrated statewide program for the mentally retarded." Said programs may include but are not limited to: various type workshop activities, programs to alleviate and ameliorate developmental problems, physical activities, health consultation and transportation problems.

The Department of Human Services (DHS) provides funding for Intermediate Care Facilities for the Mentally Retarded (ICF/MR). Each ICF/MR facility provides an opportunity for the mentally retarded person to live and function in a residential community as opposed to an institutional environment.

Looking Upwards, Inc., and Looking Upwards Apartments, Inc. are located at Irongate II, 438 East Main Rd, Middletown, RI. The two corporations share the same officers and board of directors. They are non-profit corporations and are governed by a board of directors consisting of three to fifteen members, who serve two-year terms. Members shall be elected by a two-thirds vote of the Board of Directors. As of January 1, 1998, Looking Upwards Apartments, Inc merged all its operations with Looking Upwards, Inc.



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January 12, 1999

Ms. Christine Ferguson, Director
Department of Human Services
Aime J. Forand Building
600 New London Avenue
Cranston, RI 02920

Dear Ms. Ferguson:

We have performed the procedure enumerated below which were agreed to by the Department of Human Services (DHS) and Looking Upwards, Inc., (Provider), solely to assist the users in evaluating the provider's assertion about their compliance with DHS's Principles of Reimbursement H.I.M.-15 to the cost reports, Clients' Clothing Account Funds in accordance with DHS's Principles for Skilled Nursing and Intermediate Care Facilities and the Clients' Personal Needs Funds in accordance with DHS's Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities for calendar year 1997. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1990 through 1996, which allows us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose.

Based on the application of procedures referred to above, we have determined a final net settlement of \$72,495.65 is due to DHS from the Provider. These matters are discussed in the accompanying "Findings and Recommendations" of this report.

Ms. Christine Ferguson, Director

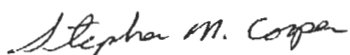
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January 12, 2000

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of DHS and the Provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb



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January 12, 1999

Ms. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Aime J. Forand Building
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Looking Upwards, Inc. (Provider) and Looking Upwards Apartments, Inc. solely to assist the users in evaluating the Provider's assertion about their compliance to the financial terms and conditions contained within the Day Program Service for Developmentally Disabled Citizens contracts during the calendar year ended December 31, 1997. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1990 through 1996 which allowed us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports for calendar years 1990 through 1996 based on that strategic plan. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we made a determination as to the reasonableness of allowable costs based on the "prudent person rule," accuracy of reported activities and if any overall surplus funding was provided by MHRH.

Based on the application of the procedures referred to above, we became aware of an overall surplus by MHRH for the calendar years 1990 through 1997 of \$262,185.00. Further, MHRH's method of making payments on behalf of the adult day program resulted in overpayments. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

Ms. Kathryn Power, Director
Page 2
January 12, 1999

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

LOOKING UPWARDS, INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL	ADMINI- STRATIVE	ADULT DAY PROGRAM	ICF/MR'S	WAIVER RESIDENT PROGRAM	AGENCY
<u>REVENUES</u>						
STATE OF RHODE ISLAND						
Department of MHRH	\$ 3,395,466	-	498,516	-	2,896,950	-
Dept. of Human Services						
Room & Board	683,061	-	-	683,061	-	-
Day Program	5,198	-	5,198	-	-	-
Social Security Inc.	235,202	-	-	26,639	208,563	-
Client Excess Earnings	46,031	-	-	-	46,031	-
School Departments	2,005	-	2,005	-	-	-
Other						
Other	3,316	-	-	156	3,160	-
Provider Tax Revenue	252,369	-	-	51,415	200,954	-
PRB Income	62,571	-	-	-	-	62,571
Day Program Income	68,455	-	68,455	-	-	-
Vocational Rehabilitation	2,800	-	2,800	-	-	-
Total Revenues	\$ 4,756,474	0	576,974	761,271	3,355,658	62,571
<u>EXPENSES</u>						
Wages	\$ 2,725,089	233,230	362,705	414,136	1,715,018	-
Retirement	106,566	99,707	-	-	-	6,859
Health Insurance	264,358	22,102	35,845	37,323	169,088	-
Other Fringes	1	-	1	-	-	-
Consultants						
Pharmacist	455	-	-	204	251	-
Physical Therapist	4,297	-	-	76	4,221	-
Speech Therapist	11,765	-	-	1,637	10,128	-
Psychologist	29,416	-	-	6,917	22,499	-
Other	3,846	929	44	438	2,435	-
Office Supplies	23,803	15,062	541	1,835	6,365	-
Telephone	15,393	5,021	2,298	1,750	6,324	-
Travel-Motor Vehicle	44,332	3,505	12,932	7,892	19,403	600
Travel-Employees	7,530	-	-	-	7,530	-
Conventions, Meetings	45,428	15,007	7,528	2,631	10,137	10,125
Adv.-Help Wanted	4,858	888	-	87	-	3,883
Licenses	14,957	8,931	30	2,008	3,988	-
Organizational Dues	1,019	-	-	1,019	-	-
Computerized Payroll and						
Data Processing	403	403	-	-	-	-
Accounting and Auditing	23,862	23,862	-	-	-	-
Legal Services	38,859	15,511	-	-	-	23,348
Payroll Taxes	228,810	18,704	31,025	32,304	146,777	-
Insurance	55,198	55,198	-	-	-	-
Miscellaneous	16,981	2,089	-	827	2,951	11,114
HCPA-Provider Tax	254,700	-	-	53,746	200,954	-
Real Estate/Personal Prop. Taxes	7,672	39	177	3,471	3,672	313
Interest	48,348	23,967	-	13,190	8,479	2,712
Rent/Lease of Building	87,214	13,613	-	18,434	55,167	-
Lease of Equipment	5,738	5,738	-	-	-	-
Lease of Vehicles	78,977	2,146	3,792	14,694	57,629	716
Amortization of Leasehold Impr.	3,151	-	-	899	2,252	-
Building Depreciation	9,080	-	-	5,603	3,477	-
Building Impr. Depr.	2,774	-	-	925	1,849	-
Equipment Depr.	4,180	2,390	-	366	1,424	-
Motor Vehicle Depreciation	1,282	-	1,282	-	-	-
Fuel	9,418	-	-	2,266	7,152	-
Electricity	32,680	-	-	6,206	26,474	-

LOOKING UPWARDS, INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL	ADMINI- STRATIVE	ADULT DAY PROGRAM	ICF/MR'S	WAIVER RESIDENT PROGRAM	AGENCY
<u>Expenses - Cont'd</u>						
Water and Sewage	\$ 10,065	-	-	2,885	7,180	-
Plant Supplies	6,880	399	-	1,379	5,102	-
Purchased Services & Repairs	31,875	3,790	269	5,822	21,994	-
Food & Kitchen Supplies	88,046	-	17	19,776	68,253	-
Linen, Laundry Suppl. & Service	333	-	13	45	275	-
Housekeeping Supplies	30,239	-	187	6,476	23,576	-
Pharmacy supplies	28,549	-	434	5,325	22,790	-
Recreational Supplies	802	-	-	21	781	-
Day Program Supplies	1,221	-	1,221	-	-	-
Income Offset	(19,652)	(19,652)	-	-	-	-
Subtotal	4,390,798	552,579	460,341	672,613	2,645,595	59,670
Allocation of Administrative Expenses	\$ -	(552,579)	80,455	91,839	380,285	-
Total Expenses	\$ 4,390,798	-	540,796	764,452	3,025,880	59,670
Net Excess (Deficiency) of Revenue Over Expenses	\$ 365,676	-	36,178	(3,181)	329,778	2,901

See accompanying notes to financial information.

SP-49a

LOOKING UPWARDS APARTMENT INC.
STATEMENT OF REVENUE AND EXPENSES
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL	ADMINISTRATIVE	SEMI INDEPENDENT APT.	CONVERSION WAIVER CONTRACTS	AGENCY
<u>REVENUES</u>					
STATE OF RHODE ISLAND					
Department of MHRH	\$ 848,921	-	319,508	529,413	-
Social Security Inc	45,534	-	45,534	-	-
Other					
Miscellaneous	(11,061)	-	(13,589)	2,528	-
Write Off State Wh	1,528	-	1,528	-	-
TOTAL REVENUES	\$ 884,922	0	352,981	531,941	0
<u>EXPENSES</u>					
Wages	\$ 649,172	56,350	223,305	369,517	-
Retirement	25,749	24,092	-	-	1,657
Health Insurance	63,902	5,340	22,092	36,470	-
Psychologist	403	-	403	-	-
Other	6,790	180	90	6,520	-
Office Supplies	6,317	4,136	1,341	840	-
Telephone	5,563	1,213	2,309	2,041	-
Travel-Motor Vehicle	15,891	847	9,403	5,496	145
Conventions, Meetings	7,096	3,408	1,202	165	2,321
Adv.-Help Wanted	1,153	215	-	-	938
Organizational Dues	3,745	2,158	18	1,569	-
Computerized Payroll & Data					
Processing	97	97	-	-	-
Accounting & Auditing	5,834	5,834	-	-	-
Legal Services	9,365	4,819	-	-	4,546
Payroll Taxes	55,309	4,622	19,121	31,566	-
Insurance	13,337	13,337	-	-	-
Miscellaneous	3,382	495	-	-	2,887
Real Est-Pers. Prop. Tax	(2,006)	9	(2,015)	-	-
Interest	6,447	5,792	-	-	655
Rent/Lease of Building	26,779	3,289	23,490	-	-
Lease of Equipment	1,386	1,386	-	-	-
Lease of Vehicles	4,717	519	4,025	-	173
Amortization of Leashold Impr.	662	-	662	-	-
Equipment Depr.	1,759	578	1,181	-	-
Fuel	3,561	-	3,561	-	-
Electricity	3,022	-	3,022	-	-
Water & Sewerage	1,293	-	1,293	-	-
Plant Supplies	1,348	96	1,002	250	-
Purchased Services	3,519	916	2,483	120	-
Food & Kitchen Suppl.	15,250	-	14,570	680	-
Housekeeping Supplies	3,801	-	3,457	344	-
Pharmacy Supplies	1,760	-	1,274	486	-
Recreational Supplies	2,355	-	30	2,325	-
Classroom Supplies	290	218	72	-	-
Income Offset	(3,033)	(3,033)	-	-	-
SUBTOTAL	\$ 946,015	136,913	337,391	458,389	13,322
Allocation of Administrative					
Expenses	0	(136,913)	52,027	84,886	-
TOTAL EXPENSES	\$ 946,015	-	389,418	543,275	13,322
Excess (Deficiency) of Revenue					
Over Expenses	\$ (61,093)	0	(36,437)	(11,334)	(13,322)

See accompanying notes to financial information.

LOOKING UPWARDS, INC.
STATEMENT OF REVENUES AND EXPENSES - ICF/MR'S
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL ICF/MR'S	KAY STREET	BEACON STREET	LINDA TERRACE	DEXTER STREET	TOPPA BLVD	MULBERRY ROAD
REVENUES							
STATE OF RHODE ISLAND							
Dept. of Human Services							
Room & Board	\$ 683,061	124,801	99,025	109,522	125,650	121,812	102,251
Social Secutiy Income	26,639	4,504	8,011	4,695	780	-	8,649
Other							
Other	156	156	-	-	-	-	-
Provider Tax Revenue	51,415	7,831	7,118	9,019	9,730	9,264	8,453
TOTAL REVENUES	\$ 761,271	137,292	114,154	123,236	136,160	131,076	119,353
EXPENSES							
Wages	\$ 414,136	73,734	63,371	70,119	71,464	71,892	63,556
Health Insurance	37,323	6,631	5,252	6,302	6,434	6,795	5,909
Consultants							
Pharmacist	204	34	34	34	34	34	34
Physical Therapist	76	76	-	-	-	-	-
Speech Therapist	1,637	333	224	182	501	64	333
Psychologist	6,917	537	537	1,209	2,888	1,746	-
Other	438	73	73	73	73	73	73
Office Supplies	1,835	359	144	162	601	361	208
Telephone	1,750	215	293	280	355	181	426
Travel-Motor Vehicle	7,892	800	954	1,010	1,639	995	2,494
Conventions, Meetings	2,631	489	367	726	550	234	265
Adv.-Help Wanted	87	-	-	-	80	7	-
Licenses	2,008	487	487	547	-	-	487
Organizational Dues	1,019	-	-	-	532	487	-
Computerized Payroll & Payroll Taxes	32,304	5,739	4,546	5,455	5,569	5,881	5,114
Miscellaneous	827	328	-	54	150	169	126
HCPA-Provider Tax	53,746	10,679	9,994	5,348	9,814	9,276	8,635
Real Estate -							
Personal Prop. Taxes	3,471	1,563	702	324	-	-	882
Interest	13,190	4,329	856	3,765	-	-	4,240
Rent/Lease of Building	18,434	1,771	1,508	1,556	7,300	6,299	-
Lease of Vehicles	14,694	2,399	2,469	2,453	2,424	2,469	2,480
Amortization of Leasehold							
Improv.	899	377	312	-	67	143	-
Building Depreciation	5,603	1,349	1,034	1,481	-	-	1,739
Building Impr Depr.	925	375	59	136	-	-	355
Equipment Depreciation	366	10	37	305	14	-	-
Fuel	2,266	246	294	471	405	384	466
Electricity	6,206	756	1,778	781	911	803	1,177
Water & Sewerage	2,885	515	767	13	545	493	552
Plant Supplies	1,379	311	324	250	200	252	42
Purchased Services & Repairs	5,822	1,799	927	650	743	644	1,059
Food & Kitchen Supplies	19,776	3,176	3,176	3,127	3,677	3,371	3,249
Linen, Laundry Supplies and Service	45	-	-	-	2	43	-
Housekeeping Supplies	6,476	1,071	674	633	1,783	962	1,353
Pharmacy Supplies	5,325	684	387	707	2,283	1,064	200
Recreational Supplies	21	21	-	-	-	-	-
SUBTOTAL	672,613	121,266	101,580	108,153	121,038	115,122	105,454
Allocation of Administrative Expenses	91,839	16,356	14,036	15,527	15,859	15,970	14,091
TOTAL EXPENSES	\$ 764,452	137,622	115,616	123,680	136,897	131,092	119,545

See accompanying notes to financial information.

LOOKING UPWARDS, INC.
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL ADULT DAY PROGRAMS	ADULT HABILITATION	ADULT DEVELOPMENT	SPECIAL ADULT DEVELOPMENT	BEHAVIOR SKILLS
<u>REVENUES</u>					
STATE OF RHODE ISLAND					
Department of MHRH					
DHS Rehab. Option	\$ 498,516	33,614	15,273	361,627	88,002
Dept. of Human Services					
Day Program	5,198	-	-	5,198	-
School Departments	2,005	-	-	575	1,430
Other					
Day Program Income	68,455	-	-	17,169	51,286
Vocational Rehabilitation	2,800	-	-	2,800	-
TOTAL REVENUES	\$ 576,974	33,614	15,273	387,369	140,718
<u>EXPENSES</u>					
Wages	\$ 362,705	37,266	6,014	204,927	114,498
Health Insurance	35,845	3,677	590	20,254	11,324
Other Fringes	1	-	1	-	-
Consultants					
Other	44	5	-	25	14
Office Supplies	541	55	9	302	175
Telephone	2,298	229	39	1,300	730
Travel-Motor Vehicle	12,932	1,189	294	8,525	2,924
Conventions, Meetings	7,528	315	53	4,121	3,039
Licenses	30	3	1	17	9
Payroll Taxes	31,025	3,182	511	17,530	9,802
Real Estate - Personal Prop. Taxes	177	18	3	100	56
Lease of Vehicles	3,792	380	64	2,144	1,204
Amortization of Motor Vehicle Depr.	1,282	-	1,282	-	-
Purchased Services & Repairs	269	24	5	153	87
Food & Kitchen Supplies	17	-	-	17	-
Linen, Laundry Supplies & Service	13	1	1	7	4
Housekeeping Supplies	187	19	3	106	59
Pharmacy Supplies	434	26	5	300	103
Day Program Supplies	1,221	112	20	713	376
SUBTOTAL	460,341	46,501	8,895	260,541	144,404
Allocation of Administrative Expenses	80,455	8,289	1,381	45,422	25,363
TOTAL EXPENSES	\$ 540,796	54,790	10,276	305,963	169,767

See accompanying notes to financial information.

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LOOKING UPWARDS, INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL WAIVER PROGRAM								
	COMBINED	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT
REVENUES									
STATE OF RHODE ISLAND									
Department of MHRH	\$ 2,896,950	2,896,950	-	638,696	-	479,502	-	470,175	-
Social Security Income	208,563	-	208,563	-	46,731	-	34,970	-	35,245
Clients Excess Earnings	46,031	46,031	-	4,062	-	9,320	-	18,647	-
Other									
Other	3,160	-	3,160	-	-	-	3,115	-	-
Provider Tax Revenue	200,954	200,954	-	43,694	-	33,234	-	33,234	-
TOTAL REVENUES	\$ 3,355,658	3,143,935	211,723	686,452	46,731	522,056	38,085	522,056	35,245
EXPENSES									
Wages	\$ 1,715,018	1,699,445	15,573	402,405	2,775	240,122	2,337	306,690	2,198
Health Insurance	169,088	169,088	-	39,949	-	23,898	-	30,462	-
Consultants									
Pharmacist	251	251	-	50	-	101	-	34	-
Physical Therapist	4,221	4,221	-	1,075	-	941	-	1,899	-
Speech Therapist	10,128	10,128	-	1,011	-	1,400	-	2,157	-
Psychologist	22,499	22,499	-	-	-	8,664	-	-	-
Other	2,435	2,435	-	501	-	403	-	411	-
Office Supplies	6,365	6,365	-	1,149	-	562	-	1,733	-
Telephone	6,324	6,324	-	1,427	-	1,145	-	585	-
Travel-Motor Vehicle	19,403	19,403	-	3,561	-	3,179	-	2,728	-
Travel-Employees	7,530	7,530	-	3,132	-	387	-	659	-
Conventions, Meetings	10,137	10,137	-	2,434	-	1,020	-	1,391	-
Licenses	3,988	3,988	-	1,063	-	786	-	940	-
Payroll Taxes	146,777	146,777	-	34,719	-	20,741	-	26,423	-
Miscellaneous	2,951	668	2,283	-	367	334	292	334	390
HCPA-Provider Tax	200,954	200,954	-	43,694	-	33,234	-	33,234	-
Real Estate - Personal Prop. Taxes	3,672	3,672	-	279	-	224	-	37	-
Interest	8,479	8,479	-	-	-	-	-	-	-
Rent/Lease of Building	55,167	-	55,167	-	-	-	-	-	-
Lease of Vehicles	57,629	57,629	-	9,589	-	10,758	-	7,883	-
Amortization of Leasehold Improv.	2,252	-	2,252	-	-	-	456	-	-
Building Depreciation	3,477	-	3,477	-	-	-	-	-	-
Building Impr Depr.	1,849	-	1,849	-	-	-	-	-	-
Equipment Depreciation	1,424	-	1,424	-	328	-	316	-	49
Fuel	7,152	-	7,152	-	-	-	1,337	-	1,997
Electricity	26,474	-	26,474	-	7,741	-	5,337	-	3,502
Water & Sewerage	7,180	-	7,180	-	-	-	1,054	-	1,920
Plant Supplies	5,102	-	5,102	-	1,437	-	878	-	366
Purchased Services & Repairs	21,994	-	21,994	-	3,886	-	3,688	-	3,714
Food & Kitchen Supplies	68,253	-	68,253	-	13,861	-	12,292	-	10,380
Linen, Laundry Supplies & Service	275	-	275	-	43	-	16	-	45
Housekeeping Supplies	23,576	-	23,576	-	3,780	-	3,686	-	3,320
Pharmacy Supplies	22,790	-	22,790	-	8,193	-	4,578	-	4,377
Recreational Supplies	781	-	781	-	65	-	191	-	252
Subtotal	\$ 2,645,595	2,379,993	265,602	546,038	42,476	347,899	36,458	417,600	32,510
Allocation of Administrative Expenses	380,285	380,285	-	89,848	-	53,766	-	68,520	-
TOTAL EXPENSES	\$ 3,025,880	2,760,278	265,602	635,886	42,476	401,665	36,458	486,120	32,510
Excess (Deficiency) of Revenues Over Expenses	\$ 329,778	383,657	(53,879)	50,566	4,255	120,391	1,627	35,936	2,735

See accompanying notes to financial information.

LOOKING UPWARDS, INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	KAY STREET		BEACON STREET		LINDA TERRACE		DEXTER STREET	
	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT
REVENUES								
STATE OF RHODE ISLAND								
Department of MHRH	\$ 213,718	-	215,430	-	220,601	-	222,065	-
Social Security Income	-	15,331	-	14,976	-	14,915	-	16,358
Clients Excess Earnings	95	-	6,635	-	1,463	-	-	-
Other	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	45
Provider Tax Revenue	14,679	-	15,244	-	15,244	-	15,244	-
TOTAL REVENUES	\$ 228,492	15,331	237,309	14,976	237,308	14,915	237,309	16,403
EXPENSES								
Wages	\$ 126,932	1,372	104,894	1,316	125,761	1,412	130,783	1,384
Health Insurance	12,638	-	10,472	-	12,540	-	13,032	-
Pharmacist	33	-	33	-	-	-	-	-
Physical Therapist	-	-	-	-	166	-	-	-
Speech Therapist	1,365	-	600	-	550	-	1,073	-
Psychologist	1,075	-	1,074	-	2,418	-	5,776	-
Other	220	-	160	-	176	-	160	-
Office Supplies	1,049	-	170	-	71	-	713	-
Telephone	515	-	545	-	493	-	465	-
Travel-Motor Vehicle	1,090	-	1,456	-	2,057	-	2,439	-
Travel-Employees	9	-	281	-	109	-	563	-
Conventions, Meetings	1,305	-	469	-	1,193	-	847	-
Licenses	138	-	122	-	328	-	182	-
Payroll Taxes	10,967	-	9,092	-	10,882	-	11,308	-
Miscellaneous	-	228	-	-	-	247	-	232
HCPA-Provider Tax	14,679	-	15,244	-	15,244	-	15,244	-
Real Estate - Personal Prop. Taxes	345	-	305	-	205	-	209	-
Rent/Lease of Building	-	6,968	-	10,280	-	10,720	-	14,600
Lease of Vehicles	4,798	-	4,939	-	4,905	-	4,859	-
Amortization of Leasehold Improv.	-	753	-	623	-	-	-	133
Building Impr Depr.	-	750	-	117	-	272	-	-
Equipment Depreciation	-	20	-	74	-	610	-	27
Fuel	-	420	-	600	-	942	-	756
Electricity	-	1,385	-	1,967	-	1,332	-	1,619
Water & Sewerage	-	782	-	428	-	654	-	890
Plant Supplies	-	62	-	128	-	178	-	1,103
Purchased Services & Repairs	-	1,590	-	1,731	-	2,124	-	2,071
Food & Kitchen Supplies	-	5,467	-	5,507	-	3,957	-	4,778
Linen, Laundry Supplies & Service	-	-	-	-	-	3	-	13
Housekeeping Supplies	-	3,049	-	1,332	-	899	-	3,525
Pharmacy Supplies	-	492	-	318	-	1,118	-	2,444
Recreational Supplies	-	96	-	52	-	-	-	107
SUBTOTAL	\$ 177,158	23,434	149,856	24,473	177,098	24,468	187,653	33,682
Allocation of Administrative Expenses	28,458	-	23,540	-	28,182	-	29,287	-
TOTAL EXPENSES	\$ 205,616	23,434	173,396	24,473	205,280	24,468	216,940	33,682
Excess (Deficiency) of Revenues Over Expenses	\$ 22,876	(8,103)	63,913	(9,497)	32,028	(9,553)	20,369	(17,279)

See accompanying notes to financial information.

LOOKING UPWARDS, INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOPPA BLVD		MULBERRY ROAD	
	STATE	CLIENT	STATE	CLIENT
REVENUES				
STATE OF RHODE ISLAND				
Department of MHRH	\$ 222,064	-	214,699	-
Social Security Income	-	14,452	-	15,585
Clients Excess Earnings	-	-	5,809	-
Provider Tax Revenue	15,244	-	15,137	-
TOTAL REVENUES	\$ 237,308	14,452	235,645	15,585
EXPENSES				
Wages	\$ 143,445	1,423	118,413	1,356
Health Insurance	14,279	-	11,818	-
Physical Therapist	140	-	-	-
Speech Therapist	1,716	-	256	-
Psychologist	3,492	-	-	-
Other	191	-	213	-
Office Supplies	426	-	492	-
Telephone	384	-	765	-
Travel-Motor Vehicle	1,503	-	1,390	-
Travel-Employees	493	-	1,897	-
Conventions, Meetings	592	-	886	-
Licenses	183	-	246	-
Payroll Taxes	12,388	-	10,257	-
Miscellaneous	-	263	-	264
HCPA-Provider Tax	15,244	-	15,137	-
Real Estate - Personal Prop. Taxes	305	-	1,763	-
Interest	-	-	8,479	-
Rent/Lease of Building	-	12,599	-	-
Lease of Vehicles	4,939	-	4,959	-
Amortization of Leasehold Improv.	-	287	-	-
Building Depreciation	-	-	-	3,477
Building Impr Depr.	-	-	-	710
Fuel	-	690	-	410
Electricity	-	1,674	-	1,917
Water & Sewerage	-	902	-	550
Plant Supplies	-	642	-	308
Purchased Services & Repairs	-	1,706	-	1,484
Food & Kitchen Supplies	-	5,695	-	6,316
Linen, Laundry Supplies & Service	-	155	-	-
Housekeeping Supplies	-	1,744	-	2,241
Pharmacy Supplies	-	823	-	447
Recreational Supplies	-	4	-	14
SUBTOTAL	\$ 199,720	28,607	176,971	19,494
Allocation of Administrative Expenses	32,105	-	26,579	-
TOTAL EXPENSES	\$ 231,825	28,607	203,550	19,494
Excess (Deficiency) of Revenues Over Expenses	\$ 5,483	(14,155)	32,095	(3,909)

See accompanying notes to financial information.

LOOKING UPWARDS, INC.

CALENDAR YEAR 1997

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial information is presented on the accrual basis of accounting which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement H.I.M.-15. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Depreciation

Depreciation costs are based on the straight line method which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement H.I.M.-15.

Note 2 - Excess (Deficiency) of Revenue Over Expenses

The State's method of reimbursement for ICF/MR facilities is based solely on audited expenses and, therefore, does not take into account the excess or deficiency of revenue over expenses.

LOOKING UPWARDS, INC.
INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED
SCHEDULE OF NET SETTLEMENT
CALENDAR YEAR 1997

	TOTAL	KAY STREET	BEACON STREET	LINDA TERRACE	DEXTER STREET	TOPPA BLVD	MULBERRY ROAD	KING ROAD	WILLOW LANE	WILLIAMS DRIVE
<u>PER DIEM RATE</u>										
Total Audited Expenses	\$ 764,452.00	137,622	115,616	123,680	136,897	131,092	119,545	-	-	-
Total Days	2,865.00	465.00	480.00	480.00	480.00	480.00	480.00	-	-	-
Audited Per Diem Rate	-	295.96	240.87	257.67	285.20	273.11	249.05	-	-	-
Clothing Per Diem	-	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-
Total Per Diem		<u>296.96</u>	<u>241.87</u>	<u>258.67</u>	<u>286.20</u>	<u>274.11</u>	<u>250.05</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>RETROSPECTIVE SETTLEMENT</u>										
Desk Audit Rate	-	295.82	238.82	257.74	284.67	274.07	249.65	-	-	-
Field Audit Rate	-	296.96	241.87	258.67	286.20	274.11	250.05	-	-	-
Increase (Decrease) to Rate Paid		1.04	3.05	0.93	1.53	0.04	0.40	-	-	-
Paid State Days	-	465.00	480.00	480.00	480.00	480.00	480.00	-	-	-
Amount Due To (From) DHS for 1997	(3,339.60)	(483.60)	(1,464.00)	(446.40)	(734.40)	(19.20)	(192.00)			
Total Retrospective Settlement Due to (From) DHS for 1997	(3,339.60)	(483.60)	(1,464.00)	(446.40)	(734.40)	(19.20)	(192.00)			
Amount Due To (From) DHS for Prior Years (1990-1996)	78,545.00	9,343.00	7,213.00	10,349.00	10,130.00	9,784.00	10,917.00	7,478.00	6,241.00	7,090.00
Payment Errors Due to (From) DHS	(2,869.32)	(23.02)	4.50	(2,837.80)	(2.48)	(3.49)	(7.03)	-	-	-
Total (1990-1996)	75,675.68	9,319.98	7,217.50	7,511.20	10,127.52	9,780.51	10,909.97	7,478.00	6,241.00	7,090.00
Total Retrospective Settlement Due to or (From) DHS	<u>\$ 72,336.08</u>	<u>8,836.38</u>	<u>5,753.50</u>	<u>7,064.80</u>	<u>9,393.12</u>	<u>9,761.31</u>	<u>10,717.97</u>	<u>7,478.00</u>	<u>6,241.00</u>	<u>7,090.00</u>

LOOKING UPWARDS, INC.
INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED
DETAIL OF AUDIT ADJUSTMENTS
CALENDAR YEAR 1997

	<u>TOTAL</u>	<u>KAY STREET</u>	<u>BEACON STREET</u>	<u>LINDA TERRACE</u>	<u>DEXTER STREET</u>	<u>TOPPA BLVD</u>	<u>MULBERRY ROAD</u>	<u>KING ROAD</u>	<u>WILLOW LANE</u>	<u>WILLIAMS DRIVE</u>
REVENUES										
Room and Board	\$ 46,447	13,808	15,932	5,344	3,517	7,370	476			
To adjust to actual per analysis										
Estimated Settlement	(6,327)	(3,311)	(3,356)	(21)	(144)	(1,548)	2,053			
To remove estimated settlement										
Retro Adjustent	(206)	59	1,035	(858)	(8)	394	(828)			
To remove retro adjustment										
Total Revenue Adjustments	<u>\$ 39,914</u>	<u>(3,252)</u>	<u>(2,321)</u>	<u>(879)</u>	<u>(152)</u>	<u>(1,154)</u>	<u>1,225</u>			
EXPENSES										
Conferences and Meetings	\$ (520)	(260)	(260)	-	-	-	-			
To disallow expenses for trip to Oregon										
HCPA-Provider Tax	100	-	100	-	-	-	-			
To adjust to tax returns										
Real Estate - Personal Property Taxes	(313)	-	(58)	(255)	-	-	-			
To disallow penalties										
Administrative Allocation	1,175	232	1,283	209	247	(521)	(275)			
To adjust to revised allocation										
Total Expense Adjustments	<u>\$ 442</u>	<u>(28)</u>	<u>1,065</u>	<u>(46)</u>	<u>247</u>	<u>(521)</u>	<u>(275)</u>			
PRIOR YEAR ADJUSTMENTS										
Miscellaneous	2,131.00	-	-	51.00	906.00	600.00	396.00	19.00	43.00	116.00
HCPA-Provider Tax	(349.00)	-	-	(235.00)	(51.00)	(35.00)	(28.00)	-	-	-
R.E. & Property Tax	(87.00)	-	-	-	-	(87.00)	-	-	-	-
Interest	(199.00)	-	-	-	-	(199.00)	-	-	-	-
Rent/Lease Building	(845.00)	-	-	-	-	(845.00)	-	-	-	-
Amort. Leasehold Improvements	(25.00)	-	-	-	-	(25.00)	-	-	-	-
Building Depreciation	(87.00)	-	-	-	-	(87.00)	-	-	-	-
Bldg Improvement Depreciation	2,862.00	1,169.00	-	1,427.00	-	707.00	(441.00)	-	-	-
Equipment Depreciation	27.00	-	-	-	26.00	1.00	-	-	-	-
Administrative Allocation	(81,973.00)	(10,512.00)	(7,213.00)	(11,592.00)	(11,011.00)	(9,814.00)	(10,844.00)	(7,497.00)	(6,284.00)	(7,206.00)
Total Prior Year Adjustments to Expenses	<u>\$ (78,545.00)</u>	<u>(9,343.00)</u>	<u>(7,213.00)</u>	<u>(10,349.00)</u>	<u>(10,130.00)</u>	<u>(9,784.00)</u>	<u>(10,917.00)</u>	<u>(7,478.00)</u>	<u>(6,241.00)</u>	<u>(7,090.00)</u>

LOOKING UPWARDS, INC.

CALENDAR YEAR 1997

FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations - Calendar Year 1986 -1989

DHS

1. The amount of \$31,130.80 be recovered from Looking Upwards, Inc., by the Department of Human Services in accordance with its current funding policy.

Partially complied - Disallowed interest on a loan from officer, in the amount of \$11,035, was reversed because the Provider was experiencing severe cash flow problems.

2. It is recommended that DHS follow it's current policy regarding recovery of client's excess earned income.

Complied.

3. It is recommended that DHS follow it's current policy regarding recovery of client's excess clothing fund.

Complied.

4. DHS require a full accounting of administrative charges allocated between Looking Upwards, Inc., and New England Residential Services, Inc.

Did not comply - Recommendation will not be repeated because as of June 1998 the Provider ceased to have a working relationship with New England Residential Services, Inc.

5. DHS require that Looking Upwards, Inc., adequately document all transactions with related parties.

Did not comply - Recommendation will not be repeated because as of June 1998 the provider ceased to have a working relationship with New England Residential Services, Inc.

6. DHS should require that Looking Upwards, Inc., maintain their client funds in accordance with the prescribed guideline and regulations.

Complied.

MHRH

1. That MHRH recover excess funding of \$19,380 from the Semi-Independent Living Program in accordance with applicable contract provisions.

Complied.

LOOKING UPWARDS, INC.
LOOKING UPWARDS APARTMENTS, INC.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Department of Human Services

Amount Due to/(from) - DHS/ICF/MR's

As a result of our audit and review of prior years, it has been determined that a net amount of \$72,495.65 is due to the Department of Human Services from Looking Upwards, Inc., summarized as follows:

Due to (from) DHS

<u>1997</u>	
ICF/MR Per Diem Rate	\$ (3,339.60)
<u>Prior Years</u>	
ICF/MR Per Diem Rates	78,545.00
Payment Adjustments	(2,869.32)
Excess Clothing Funds	<u>159.57</u>
Total Due to/(from) DHS	\$ <u>72,495.65</u>

The above settlement by facility is as follows:

<u>By Facility</u>	<u>Total</u>	<u>Current Year</u>		<u>Prior Years</u>					
		<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Kay Street	\$ 8,836.38	(483.60)	1,231.00	1,343.00	862.00	989.42	1,289.67	1,735.89	1,869.00
Beacon Street	5,825.14	(1,464.00)	929.00	1,114.64	757.00	837.01	997.49	1,379.00	1,275.00
Linda Terrace	7,076.06	(446.40)	1,388.00	1,160.26	721.00	825.23	(1,648.03)	1,553.00	3,523.00
Dexter Street	9,407.39	(734.40)	1,425.00	1,557.27	1,029.00	1,190.42	1,275.10	1,666.00	1,999.00
Toppa Blvd.	9,761.31	(19.20)	2,172.00	1,235.00	841.00	1,108.83	1,093.68	1,552.00	1,778.00
Mulberry Road	10,780.37	(192.00)	1,351.00	1,559.40	1,129.00	1,225.46	1,533.51	2,054.00	2,120.00
King Road	7,478.00	-	-	-	-	-	-	3,426.00	4,052.00
Willow Lane	6,241.00	-	-	-	-	-	-	2,414.00	3,827.00
Williams Drive	7,090.00	-	-	-	-	-	-	3,325.00	3,765.00
Total Due to (from) DHS	<u>\$72,495.65</u>	<u>(3,339.60)</u>	<u>8,496.00</u>	<u>7,969.57</u>	<u>5,339.00</u>	<u>6,176.37</u>	<u>4,541.42</u>	<u>19,104.89</u>	<u>24,208.00</u>

Recommendation

1. The amount of \$72,495.65 should be recovered from Looking Upwards, Inc. by the Department of Human Services in accordance with its current funding policy.

Review of Client Funds

Our review disclosed that the Looking Upwards, Inc. Residential Program client funds were in compliance with the requirements of the funding sources. However, for 1995, the client funds in excess of \$90 were not returned to the state. It has been determined that the excess client funds were \$159.57. These funds which were included in the aforementioned settlement are summarized as follows:

<u>Group Homes</u>	<u>Excess Funds</u>
Beacon Street	\$ 71.64
Linda Terrace	11.26
Dexter Street	14.27
Mulberry Road	<u>62.40</u>
	\$ <u>159.57</u>

A separate letter identify clients excess clothing funds is being sent to the DHS Assistant Administrator, Rate Setting Unit and to the Provider's Executive Director.

Department of Mental Health, Retardation and Hospitals

Determination of Excess Funding - MHRH Programs

The Department of MHRH and the Providers have agreed "that in each particular contract year, any surplus incurred by the Provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the programs above-referred." Any net surpluses by each particular contract year incurred by the Provider "shall be returned to the State of Rhode Island in such manner as it may prescribe, or shall be used by the provider in a manner which has been approved by written agreement with the State of Rhode Island." This policy is applicable to all MHRH contracts beginning with calendar year 1986.

The following is a summary of the individual program excesses or deficits and combined results for each year.

	<u>Net Excesses (Deficits)</u>	<u>Day Program</u>	<u>Waiver Program</u>	<u>Semi- Independent</u>	<u>Conversion Waiver Contracts</u>
1997	\$ 235,127	\$ 31,373	\$ 242,977	\$ (27,889)	\$ (11,334)
1996	(56,326)	(55,461)	-	(7,870)	7,005
1995	(118,899)	(109,650)	-	(38,424)	29,175
1994	1,829	(46,211)	-	48,040	n/a
1993	25,229	n/a	7,696	17,533	n/a
1992	(5,467)	n/a	-	(5,467)	n/a
1991	(5,460)	n/a	n/a	(5,460)	n/a
1990	(15,976)	n/a	n/a	(15,976)	n/a

Our engagement determined that net excesses totaling \$264,851 exists bases upon the aforementioned policy and the individual contract requirements. This amount is comprised of the following calendar year net excesses:

<u>Calendar Years</u>	<u>Net Excesses</u>
1997	\$ 235,127
1994	1,829
1993	<u>25,229</u>
Total	\$ <u>262,185</u>

Recommendation

2. The amount of \$262,185 should be recovered from Looking Upwards, Inc. by the Department of MHRH as excess funding or reprogrammed by the Provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.

Details pertaining to this settlement by program are as follows:

Day Program

The contract for the fiscal year ended June 30, 1997 states that "if the audit or calendar year cost report reveals that the total combined amounts of the payment under this Agreement is greater than the total combined reasonable allowable cost for the above specified program, the parties agree to recognize that the excess funding is that of other income over and above the Department funding at the discretion of the Depart-

ment. However, should the excess funding be greater than other income, the Provider agrees to reimburse to the Department the difference of excess funding." Similar provisions were also in the contracts that covered the years 1994 through 1996.

Based on the above contract requirement there was excess funding in 1997 of \$31,373. There was no excess funding in 1994-1996 prior years.

Waiver Funded Residential Programs

The Waiver contract for the fiscal year ended June 30, 1997 stated that "if the audit or calendar year cost report reveals total payment to the Provider under the Agreement is greater than one hundred five (105) percent of total allowable cost for the above specified programs covered by this agreement the parties agree that the excess funding over one hundred five (105) percent will be returned to the Department by the Provider." This provision was also in the contracts for 1992 through 1996.

Based on the above contract provision, we have determined that excess funding for 1997 and 1993 was \$242,977.00 and \$7,696.00 respectively as shown below.

<u>Period</u>	<u>Total MHRH Payments to Provider</u>	<u>105% of Allowable Expenses</u>	<u>Amount Due to MHRH</u>
1997	\$ 3,143,935	2,898,292	245,643
1996	1,606,583	1,651,418	0
1995	1,537,605	1,610,585	0
1994	1,503,935	1,547,443	0
1993	1,751,166	1,743,470	7,696
1992	3,038,740	3,070,941	0

Semi-Independent Living Program

We have determined that excess funding by the Department of Mental Health, Retardation and Hospitals of Looking Upwards, Inc., for the period under review totaled \$65,573.00. The program falls under the MHRH guidelines that states "For Semi-Independent Living Programs where the provider collected client assessments and pays clients' bills, the audit report should separate client income and expenses for purposes of determining excess Mental Health, Retardation and Hospitals funding." Based on the guidelines, we have determined that excess funding for the years 1993 and 1994 were \$17,533.00 and \$48,040.00, respectively. For the years, 1990, 1991, 1992, 1995, 1996 and 1997, the program operated with deficiencies of revenue over expenses. The amounts are summarized as follows:

	1997			1996		
	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>
Revenues	352,981	307,447	45,534	342,261	265,960	76,301
Expenses	<u>389,418</u>	<u>335,336</u>	<u>54,082</u>	<u>364,327</u>	<u>273,830</u>	<u>90,497</u>
Excess/ (Deficits)	(36,437)	(27,889)	(8,548)	(22,066)	(7,870)	(14,196)
Less: Other Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Excess / (Deficit)	<u>(36,437)</u>	<u>(27,889)</u>	<u>(8,548)</u>	<u>(22,066)</u>	<u>(7,870)</u>	<u>(14,196)</u>

	1995			1994		
	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>
Revenues	314,498	234,588	79,910	491,399	419,868	71,531
Expenses	<u>363,146</u>	<u>273,012</u>	<u>90,134</u>	<u>459,015</u>	<u>370,700</u>	<u>88,315</u>
Excess / (Deficits)	(48,648)	(38,424)	(10,224)	32,384	49,168	(16,784)
Less: Other Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Excess / (Deficit)	<u>(48,648)</u>	<u>(38,424)</u>	<u>(10,224)</u>	<u>31,256</u>	<u>48,040</u>	<u>(16,784)</u>

	1993			1992		
	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>
Revenues	384,449	307,736	76,713	346,725	225,841	120,884
Expenses	<u>379,423</u>	<u>286,270</u>	<u>93,153</u>	<u>345,580</u>	<u>231,308</u>	<u>114,272</u>
Excess / (Deficits)	5,026	21,466	(16,440)	1,145	(5,467)	6,612
Less: Other Income	<u>3,933</u>	<u>3,933</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Excess / (Deficit)	<u>1,093</u>	<u>17,533</u>	<u>(16,440)</u>	<u>1,145</u>	<u>(5,467)</u>	<u>6,612</u>

	1991			1990		
	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>	<u>Total</u>	<u>MHRH</u>	<u>Clients</u>
Revenues	331,849	205,399	126,450	344,644	216,708	127,936
Expenses	<u>331,525</u>	<u>212,217</u>	<u>119,308</u>	<u>351,075</u>	<u>232,684</u>	<u>118,391</u>
Excess / (Deficits)	324	(6,818)	7,142	(6,431)	(15,976)	9,545
Less: Other Income	<u>(1,358)</u>	<u>(1,358)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Excess / (Deficit)	<u>1,682</u>	<u>(5,460)</u>	<u>7,142</u>	<u>(6,431)</u>	<u>(15,976)</u>	<u>9,545</u>

Non-Compliance with State Contract

The Adult Day Program contracts state: "Further, the provider agrees to state payment based on the above rates only for that portion of the clients' programs which are not eligible and/or reimbursable under the Rehab Option of the Title XIX Program. All payments shall be based on clients actual attendance days."

Instead of making state payments based on actual attendance days as required by contract, MHRH is making state payments based on historical data plus an adjustment for anticipated increase in program cost. The reason for the way payments are being made is that MHRH is unsure of what clients are eligible and/or reimbursable for state payment under the Adult Day Program because of eligibility and percentage differences with Electronic Data Systems (EDS) a private company that makes Medicaid payment to Providers.

We compared State payments to reimbursement schedules based on contract requirements provided to us by MHRH to come up with an estimated amount that should have been paid; and we have determined an estimated net over payment of State funds of \$35,090 as shown below.

	<u>State Funds Received</u>	<u>Per Adjusted Reimbursement Schedules</u>	<u>State Funds Over (Under)</u>
1997	24,765	(8,581)	16,184
1996	23,988	(7,435)	16,553
1995	24,084	(20,316)	3,768
1994	16,836	(18,251)	(1,415)
Total	<u>89,673</u>	<u>(54,583)</u>	<u>35,090</u>

Recommendation

3. That the Department of MHRH make payment based on actual attendance as required by its contracts or recover over payments based on estimated reimbursement schedules.

Contract Language

As stated above, State funds were overpaid in the Adult Day Program to the Provider, but in order to recover over payments there is a need to change contract language which requires settlement be based on payments. There should be language in the contract that applies to over payments of State funds which should be recovered by the MHRH based on estimated reimbursement schedules.

Since, in our opinion, the over payment of State funds in the amount of \$35,090 in the Adult Day Program cannot be recovered based on current contract language; it is applied as follows.

Adult Day Program

	Revenue Excess (Deficiency)	State Funds Over/ (Under) Revenue	Net Excess (Deficiency)
1997	36,178	16,184	52,362
1996	(73,811)	16,553	(57,258)
1995	(116,251)	3,768	(112,483)
1994	(46,520)	(1,415)	(47,935)
Total	(200,404)	35,090	(165,314)

Recommendation

4. That the Department of MHRH include in their contact with the Provider a provision to recover over payments of State funds based on estimated reimbursement schedules.